

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended

Unit Name	DEARBORN HOUSING COMM	County	WAYNE	Type	CITY	MuniCode	82-7-602
Opinion Date	May 21, 2008	Audit Submitted	Jun 17, 2008	Fiscal Year	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?		
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?		
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?		
<input type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?		
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?		
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?		
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?		
<input type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?		
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?		
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)		
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)		
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?		
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?	14. If not, what type of opinion is it?	NA
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?		
<input type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?		
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?		
<input type="checkbox"/>	18. Are there reported deficiencies?	<input type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 3,914,956.00
General Fund Expenditure:	\$ 3,750,548.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 5,776,330.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	JOHN	Last Name	DIPIERO	Ten Digit License Number	1101011469				
CPA Street Address	397 SANDRIDGE DRIVE	City	HEMLOCK	State	MI	Zip Code	48626	Telephone	+1 (989) 642-2092
CPA Firm Name	JOHN C DIPIERO, CPA, PC	Unit's Street Address	13615 MICHIGAN AVE	City	DEARBORN	Zip Code	48126		

DEARBORN HOUSING COMMISSION

Financial Statements

September 30, 2007

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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JOHN B. "JACK" O'REILLY, JR.
MAYOR

CITY OF DEARBORN

Home Town of Henry Ford

DEPARTMENT OF HOUSING
DEARBORN HOUSING COMMISSION

FLOYD ADDISON, JR. - DIRECTOR

HOUSING COMMISSION

DOUGLAS GNIEWEK
President

THOMAS MANWELL
Vice President

ALEX BAZZI
PATRICIA HACKETT
JUDY MOTLEY

DEARBORN HOUSING COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2007

The Dearborn Housing Commission (DHC) management's discussion and analysis is designed to assist the reader in understanding the financial information presented in the 2007 Annual Report. This section provides a perspective on the Dearborn Housing's financial performance and results for fiscal year ending September 30, 2007. The discussion identifies changes, financial issues of concern and any challenges for subsequent years.

The Management Discussion and Analysis (MD&A) focus is on this years financial activities and includes comparison with the prior year financial information.

FINANCIAL HIGHLIGHTS

Dearborn Housing Commission's total assets increased \$553,186 or 10% during 2007. Net Assets were \$5.51 million for 2006 and \$6.07 million for 2007.

Revenue for business type activities during 2007 decreased \$206,395 or 5% during 2007. Revenue in 2007 was \$4.36 million compared to \$4.56 million in 2006.

The total expenses of all the commission's programs decreased \$470,361 or 11% in 2007 and were \$3.75 million in 2007 and \$4.22 million in 2006.

HUD operating grants for 2007 are: Public Housing \$690,866, Section 8 Vouchers \$675,584, Section 8 New Construction \$1,181,969 and Capital Fund \$497,825. The total of all grants is \$3,046,244.

DEARBORN HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
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USING THIS ANNUAL REPORT

This annual report consists of the following:

MD&A – Management Discussion and Analysis

Combined Financial Statements – Statement of Net Assets
Revenue and Expenses
And Changes in Net Assets
Statement of Cash Flows
Notes to Financial Statements

Other Required Supplementary Information - As Required.

THE COMMISSION FINANCIAL STATEMENTS

The Commission financial statements are consolidated with all business activities shown in one column for the entire Commission.

The **Statement of Net Assets** is the balance sheet reporting all financial resources of the commission on an accrual basis. The statement of net assets provides the information on the DHC financial position for the period ending 9/30/2007. The assets and liabilities are reported in order of liquidity as current and non-current. Current assets or liabilities are due within the year and non-current is over one year. The net worth is the assets minus liabilities equal net assets formally known as equity. The assets are reported as Capital Assets net of Related Debt and Unrestricted Net Assets.

Net Assets Categories:

Invested in Capital Assets, Net of Related Debt: This is all Capital Assets reduces by depreciation, outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Unrestricted Net Assets: This consists of Net Asset that do not meet the definition of either restricted or net assets invested in capital assets net of related debt.

Other classification to the net assets can be added if needed, for example restricted net assets or contributed capital.

The **Statements of Revenues and Expenses** is the income statement. This statement includes operating revenues such as rental, grants, other income and interest and operating expenses such as administrative, tenant services, utilities, and general expenses.

To Complete the Statements, a **Statement of Cash Flows** is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities and capital from investing activities.

FUND FINANCIAL STATEMENTS

The Dearborn Housing Commission is an enterprise fund and accounts for all operations using full accrual basis of accounting including depreciation. The Enterprise method of accounting is similar to accounting used by the private sector.

The funds maintained by the Commission are required by the Department of Housing and Urban Development.

THE DEARBORN HOUSING COMMISSIONS PROGRAMS:

Conventional Public Housing - The Public Housing Program rents units to low-income households. The Conventional Public Housing Program is operating under an Annual Contribution Contract (ACC) with HUD providing Operating Subsidy. The client's rental is based on 30% of their household income. The Dearborn Housing public housing is designated for seniors only.

Public Housing Capital Fund - The Capital Grant program is the source of financing for management and physical improvements to the Public Housing Program. The DHC submits to HUD improvement plans and funding is made available based on financing available for that year. An updated five year improvement plan is submitted each year to HUD.

Housing Choice Voucher Program – The Housing Choice Voucher Program allows low income clients to choose any housing that meets the programs guidelines within the Housing Commission jurisdiction. The Housing Commission administers the contract with independent landlords and clients. The Commission is under an ACC with HUD to provide subsidy to individuals renting from private landlords with yearly rectification for clients and inspection of each property. Individuals pay 30% of their adjusted gross income toward rental and HUD provides the remainder up the Fair Market Rent limits for the area. An administrative fee is paid to the Commission under the ACC.

Section 8 New Construction Contract Administration – This program has been transferred to the Michigan State Development Authority by the Department of Housing and Urban Development. The transfer was effective July 1, 2007. The Dearborn Housing Commission will not longer perform oversight on the Village Park Section 8 New Construction project as contract administrators for HUD. Previous to the transfer the Dearborn Housing Commission performed property inspections, subsidy payments, wait list management and contract renewal. The Housing Commission was paid an administrative fee for their work under an Annual Contribution Contract (ACC) with HUD.

THE DEARBORN HOUSING COMMISSION – MISSION STATMENT

Our mission is to provide for the administration and maintenance of decent, safe, and sanitary housing programs and properties in a manner that promotes serviceability, efficiency and stability of the projects while working to improve the economic and social well-being of low and moderate-income households such programs are intended to serve.

Our financial objective is to keep all the programs viable within the HUD guidelines while fulfilling the mission of the DHC.

BALANCE SHEET

The following table reflects the condensed Balance Sheet compared to the prior year. The Commission is engaged only in Business-Type Activities.

Table 1
Balance Sheet

	2007	2006
Current and Other Assets	\$1,166,614	\$1,151,729
Capital Assets	4,901,327	4,363,026
Total Assets	6,067,941	5,514,755
Current and Other Liabilities	291,611	346,268
Long Term Liabilities	0	0
Total Liabilities	291,611	346,268
Net Assets		
Invested in Capital Assets, Net of Related Debt	4,841,179	4,363,026
Restricted		
Unrestricted	935,151	805,461
Total Net Assets	5,776,330	5,168,487
Total Liabilities and Net Assets	\$6,067,941	\$5,514,755

Table 1 Comments:

Total Assets increased 10% or \$553,186 from \$5,514,755 in fiscal year 2006 to \$6,067,941 in 2007. The increase can largely be attributed to Capital Assets, Leasehold Improvements financed with Capital Grant Funds and Cash.

Leasehold Improvement had Capital Grant investments of \$440,644. Dwelling Equipment retired assets of \$13,180 and added equipment of \$13,738 for a net increase of \$557. Depreciation charged to Fixed Assets for 2007 is \$458,265 less retired dwelling equipment for a total charge of \$445,085. The 2007 total cash balance is \$1,123,411 with tenant security deposit cash restriction of \$60,148 and a \$72,307 HUD receivable. In comparison with the 2006 cash balance of \$1,046,838 and \$37,419 receivable. This is a 10.3% increase from 2006.

The \$60,148 tenant security deposit restriction is in compliance with Michigan Landlord Tenant Act of 1972.

Table 2
Comparative Statement of Revenues and Expenses

This schedule compares the revenue and expenses of 2007 and 2006.

	2007	2006
Revenues		
Tenant Revenue and Other	\$958,781	\$1,109,376
Operating Subsidies and Grants	2,605,600	2,740,955
Capital Grants	440,644	662,385
Other Revenue	294,125	8,793
Total Operating Revenues	\$4,299,150	\$4,521,509
Non- Operating Revenue		
Investment Income	56,450	40,486
Total Revenues	\$4,355,600	\$4,561,995
Expenses		
Administrative	\$384,776	\$365,027
Tenant Services	55,668	44,542
Utilities	456,677	502,952
Maintenance	563,808	687,375
General	62,237	62,785
Housing Assistance Payments	1,749,156	2,057,470
Other Operating Expenses	19,960	5,051
Depreciation	458,266	495,707
Total Expenses	\$3,750,548	\$4,220,909
Net Increases or Loss	\$605,052	\$341,086

Fiscal year 2007 resulted in operating revenue over expenses of \$605,052. The Operating subsidy was 5% less than last year with the loss of Village Park Contract Administration and Public Housing operating subsidy funding cut by 13.8%. The fortunate part was the expenses decreased by 11% from 2006.

In 2007 utility expenses were a surprise decreasing 9.2% with gas prices per CCF going down and some savings on water. Ordinary maintenance labor and contract costs decreased 18% with savings partially due to position vacancies and hiring at a lower rate. The housing assistance payments decreased 15% or \$308,314 from the transfer of Village Park contract administration. Depreciation charge was down \$37,441 with Townsend Towers fully depreciated. The increased expenses are administrative salaries, tenant services and other operating expenses. The administrative expenses increased 5.4% due to health care and pension cost. Tenant services increased 25% with the cost of the bus service for the gas and insurance on the vehicles.

TABLE 3
CAPITAL ASSETS AT YEAR END
(NET OF DEPRECIATION)

	2007	2006
Land	\$218,000	\$218,000
Buildings	6,554,020	6,554,020
Equipment Dwelling	255,045	254,084
Equipment Administration	76,534	76,534
Leasehold Improvements	7,534,835	6,612,154
Accumulated Depreciation	(9,797,255)	(9,352,170)
Total	<u>\$4,841,179</u>	<u>\$4,363,026</u>

Capital fund revenue was \$440,644 with total fixed Assets net of Depreciation increasing 11% on the balance sheet. The Capital Projects in progress are the Lobby Air Conditioning Replacement and the specifications for the Window Replacement for Kennedy and Sisson Manor.

Dwelling equipment is refrigerators and stoves from our buildings and operating equipment having a single purchase price over \$2,500. The administrative equipment is computers, servers and software for the office and buildings.

The Capital Grant funds are found in the revenue section. The revenue is dependent on activity during the fiscal year. The revenue is only recorded when the related expenditure is complete. These funds are for modernization and building

improvements. A percentage of the capital grant is allowed for non-capitalized management purposes.

DEBT OUTSTANDING

The Dearborn Housing Commission has reclassified the HUD Guaranteed Debt and Contributed Capital after September 30, 1999. The reclassification is due to the conversion from the HUD basis of accounting to the Generally Accepted Accounting Principles known as (GAAP). The Commission has no other debt.

HOUSING COMMISSION BUDGET

The Dearborn Housing Commission in compliance with the Department of Housing and Urban Development submits an annual operating budget for approval. The Director of the Dearborn Housing Commission approved the 2007 budget in October of 2006 with no occasion for subsequent review.

ECONOMIC FACTORS

In the 2007 the Dearborn Housing Commission is continuing to meet operating challenges from the economic downturn in Michigan and the doing more with fewer subsidy dollars from HUD. The Public Housing subsidy was prorated at 86.2%, the transfer of the Village Park Contract administration to the MHDA and flat Section 8 administration fee has impacted the reported subsidy. The total revenue was down 4.8% from 2006. The net increase in revenue over expenses for 2007 was the result of lower expenses in utilities, maintenance and depreciation.

The Public Housing residential rental revenue increased 1.4% with Social Security increasing 3.3%. The difference indicating our tenants have less income from the prior year or more expenses. The Section 8 Voucher administrative fee was down 5.8% from 2006. The Section 8 Voucher administrative is a flat amount determined by HUD on a yearly basis. In general, our operating capital sources were down from 2006.

In 2007 expenses were also down in employee salaries and benefits, utilities and depreciation. The decrease in employee expenses came from lower benefits and salaries. The new employees were hired at the lower end of the salary classification with a different benefit package. Utilities rates were lower with the addition of a mild winter saving \$46,275 from 2006 or 21%. Depreciation was down with Townsend Towers completely depreciated.

The insurance expense increased again this year by 5%. This doesn't seem like a large amount but considering social security increased only 3.3%. The trend in the insurance industry is to provide less coverage for the same premium. The premium is inflated by having separate coverage on items that were previously included in the basic policy. Next time your house insurance renewal quote comes, read it carefully.

On a more upbeat side, the buildings are looking very good with apartment kitchen at Townsend Towers renovated and all the buildings lobbies and common areas completely redecorated.

In conclusion, the Dearborn Housing Commission has been in transition for the past year. The unanticipated loss of a program and many changes instituted by the Department of Housing and Urban Development from the reporting format to the way the subsidy is allocated. The changes will continue for the next several years as HUD implement their asset management requirements. What remains consistent is that the Dearborn Housing Commissions is in healthy financial conditions with sufficient working capital to meet the next fiscal year and asset management.

FINANCIAL CONTACT

If you have any question about this report or need additional information, contact Arlene P. Edmonds, at (313)943-221. Specific requests may be sent to The Dearborn Housing Commission, 13615 Michigan Ave., Dearborn MI 48126.



Arlene P. Edmonds
Accountant
Dearborn Housing Commission

John C. DiPiero, P.C.

Certified Public Accountant

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Hemlock, Michigan 48626
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Board of Commissioners
Dearborn Housing Commission
13615 Michigan
Dearborn, Michigan 48126

Independent Auditor's Report

I have audited the financial statements of the Dearborn Housing Commission's Business Type Activities as of and for the year ended September 30, 2007. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dearborn Housing Commission as of September 30, 2007, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principals.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 21, 2008 on my consideration of the Dearborn Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

May 21, 2008

DEARBORN HOUSING COMMISSION
Statement of Net Assets
September 30, 2007

ASSETS

C-3042

CURRENT ASSETS

Cash	\$ 1,123,411	
Accounts Receivable- Tenants (net of allowance of \$ 1)	1,010	
Accounts Receivable- HUD	72,307	
Accounts Receivable- Other	13,611	
Prepaid Expenses	10,516	
Inventory- (net of allowance of \$ 361)	<u>5,907</u>	
Total Current Assets		\$ 1,226,762

NON CURRENT ASSETS

Land	\$ 218,000	
Buildings	6,554,020	
Furniture, Equipment- Dwelling	255,045	
Furniture, Equipment- Administrative	49,668	
Leasehold Improvements	6,075,238	
Accumulated Depreciation	<u>(9,797,255)</u>	
Total Non Current Assets		<u>4,841,179</u>

TOTAL ASSETS \$ 6,067,941

DEARBORN HOUSING COMMISSION
Statement of Net Assets
September 30, 2007

LIABILITIES & NET ASSETS

C-3042

LIABILITIES:

CURRENT LIABILITIES

Accounts Payable	\$ 182,161
Accrued Wages & Payroll Taxes	23,158
Accrued compensated Absences	21,305
Tenants Security Deposit	60,148
Deferred Revenue	<u>4,839</u>

Total Current Liabilities \$ 291,611

NET ASSETS:

Invested in Capital Assets, net of Related Debt	\$ 4,841,179
Unrestricted Net Assets	<u>935,151</u>

Total Net Assets 5,776,330

TOTAL LIABILITIES & NET ASSETS \$ 6,067,941

The Accompanying Footnotes are an Integral Part of the Financial Statements

DEARBORN HOUSING COMMISSION
Statement of Revenues, Expenses, and Changes in Net Assets
For the year ended September 30, 2007

OPERATING REVENUE

Tenant Rental Revenue	\$ 810,767	
Tenant Revenue-Other	148,014	
HUD Grants	2,605,600	
Interest Income	56,450	
Other Income	<u>294,125</u>	
<u>Total Operating Revenue</u>		\$ 3,914,956

OPERATING EXPENSES

Administrative	\$ 384,776	
Tenant Services	55,668	
Utility Expenses	456,857	
Ordinary Maintenance	549,288	
General Expenses	62,237	
Housing Assistance Payments	1,749,116	
Casualty Losses	20,000	
Extraordinary Maintenance	14,520	
Depreciation Expenses	<u>458,266</u>	
<u>Total Operating Expenses</u>		<u>3,750,728</u>
<u>Operating Income (Loss)</u>		\$ 164,228

CAPITAL CONTRIBUTIONS

		<u>440,644</u>
<u>Changes in Net Assets</u>		\$ 604,872
Total Net Assets- Beginning	\$ 5,168,487	
Correction of over accrual for collection losses	<u>2,971</u>	<u>5,171,458</u>
Total Net Assets- Ending		\$ <u>5,776,330</u>

The Accompanying Notes are an Integral part of the Financial Statements

DEARBORN HOUSING COMMISSION
Combined Statement of Cash Flows
For the Year Ended September 30, 2007

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 961,322
Payments to Suppliers	(2,875,900)
Payments to Employees	(455,564)
HUD Grants	2,605,600
Other Receipts (Payments)	<u>350,575</u>
Net Cash Provided (Used) by Operating Activities	\$ 586,033

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Contributed Capital	\$ 440,644
Purchases of Capital Assets	<u>(950,104)</u>
Net Cash Provided from (used) in Related Financing Activities	<u>(509,460)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 76,573
Balance- Beginning of Year	<u>1,046,838</u>
Balance- End of Year	\$ <u>1,123,411</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Operating Profit or (Loss)	\$ 164,228
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	458,266
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	(18,884)
Prepaid Expenses	6,176
Changes in Liabilities Increase (Decrease):	
Accounts Payable	117,912
Accrued Liabilities	(141,346)
Deferred Revenue	1,017
Security Deposits	<u>(1,336)</u>
Net Cash Provided by Operating Activities	\$ <u>586,033</u>

The Accompanying Notes are an Integral part of the Financial Statements

DEARBORN HOUSING COMMISSION
Notes to Financial Statements
September 30, 2007

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Dearborn Housing Commission, Dearborn, Michigan, (Commission) was created by ordinance of the city of Dearborn. The Commission signed an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 3-1,2,3	Low rent program	333 units
MI 28E001-003	Section 8 Housing Choice	96 units
MI 280014-004	Section 8 Administrative	152 units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, there are no component units.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided they do not conflict with Governmental Accounting Standards Board, (GASB) pronouncements.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Notes to Financial Statements- continued

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	27.5 years
Equipment	3-10 years

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

Petty Cash	\$ 400
Checking Accounts	<u>175,011</u>
	\$ 175,411
Investments reclassified as Cash Equivalents	<u>948,000</u>
Financial Statement Total	<u>\$ 1,123,411</u>

Investments:

Certificates of Deposit	\$ 948,000
Reclassified as cash equivalents	<u>(948,000)</u>
Financial Statement Total	<u>\$ 0</u>

Notes to Financial Statements- continued

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Cash:					
Checking A/C's	\$ 175,011	\$	\$	\$ 175,011	175,011
C/D's	948,000			948,000	948,000
Petty Cash	<u>400</u>			<u>400</u>	<u>400</u>
Total Cash	\$ <u>1,123,411</u>	\$	\$	\$ <u>1,123,411</u>	\$ <u>1,123,411</u>

In addition to the above analysis, the Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95. The Commission's cash position has been protected beyond FDIC limits with government backed securities or bank guarantees.

Note 3: Note 4: Prepaid Expenses

Prepaid expenses consists of the following:

Prepaid Insurance	\$ 10,516
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Note 4: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Land	\$ 218,000	\$	\$	\$ 218,000
Buildings	6,554,020			6,554,020
Furniture & Equipment-Dwellings	254,488	557		255,045
Furniture & Equipment-Administrative	76,534		26 866	49,668
Construction in Progress	1,045,819	440,644		1,486,463
Leasehold Improvements	<u>5,566,335</u>	<u>508,903</u>		<u>6,075,238</u>
	\$13,715,196	\$ 950,104	\$ 26,866	\$14,638,434
Less Accumulated Depreciation	<u>9,352,170</u>	<u>458,266</u>	<u>13,181</u>	<u>9,797,255</u>
	\$ <u>4,363,026</u>	\$ <u>491,838</u>	\$ <u>13,685</u>	\$ <u>4,841,179</u>

Notes to Financial Statements- continued

Note 5: Pension Disclosures

The Commission employees are city employees, (see General Comment). The employees pension plan statistical information is included in the City of Dearborn annual report; Housing Commission employee statistical data is unavailable.

The pensions offered consist of the following:

Effective July 1, 2002, or when implemented

A) FEATURES OF DEFINED CONTRIBUTION PLAN

- 1) Employee must contribute 2% of pay, and City must contribute 4% of pay.
- 2) For each additional 1% of pay (up to a total of 5%) City will contribute 1.33 % of pay.
- 3) Employee contributes above 5 % of pay will not be matched by City. Maximum City contribution is 8 % of pay.
- 4) Vesting after 5 years. Includes employee service prior to conversion date.

B) PARTICIPATION

- 1) All unit employees hired on and after July 1, 2002 must only participate in the City's Defined Contribution Plan ("DC Plan"), regardless of any future promotion to a non-unit position.
- 2) All unit employees hired on and before July 1, 2002, have, initially, three (3) options:
 - a) Stay in chapter 22 (the "DB Plan")
 - b) Freeze BD Plan benefit and go forward only in DC Plan
 - c) Withdraw balance from BD Plan, put it in DC Plan, and go forward only in DC Plan
- 3) All unit employees hired on and before July 1, 2002, have a second opportunity to join DC Plan when they are capped at 30 years under DB Plan.

C: OTHER

- 1) Conversion periods:
 - a) To be determined
 - b) After 30year cap, six (6) months after cap becomes effective
- 2) Other terms and conditions as provided in plan description and documents, as and when finalized.

Notes to Financial Statements, continued

Note 6: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 62,187,088
General Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Note 7: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 8: Combining Financial Data Schedules.

The totals in the Combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 9: Subsequent Event- Termination of Annual Contributions

HUD notified the Commission that the Section 8 HAP contract for the Section 8 Mod Rehab Program would be terminated, effective July 1, 2007. The Commission acted as the HAP administrator and received a management fee; the Commission had no part in the decision to transfer the contract, and no recourse in the decision.

Note 10: Long Term Note Receivable

Prior to the Commission losing the Section 8 HAP contract, (note 9), the Commission renegotiated the long term debt of the Village Park Preservation Limited Dividend Housing Association Limited Partnership (Village). The Village is the recipient of the Section 8 HAP's; the refinancing was under the Tax Exemption of Obligations of Public Housing Agencies, which sets forth the policy and procedural requirements for Section 8 bond refundings, including shared savings refundings pursuant to Section 1012 of the McKinney Act.

The Commission, acting as the HAP Administrator received \$ 675,094. from the refinancing subject to the terms and conditions of the McKinney Act directive No. 97-5 "Guidance on Use and Administration of Savings", which was issued February 28, 1998.

The Guidance called for use of the funds for the benefit of households of very low income, as defined in the United States Housing Act of 1937, as amended. The Commission expended \$ 275,094 on the Dearborn Housing Commission's elderly housing building known as Kennedy Plaza; the balance, \$ 400,000 was loaned to the Village for improvement to the Village properties. The terms of the loan are as follows:

Non interest bearing loan in the amount of \$ 400,000. No payment of the principal balance shall be required until the earlier of a) Forty-two years from June 26, 2007, the date of closing for certain mortgage loan from the transferor agent, b) June 1, 2048, the maturity date of the certain mortgage loan to the Village, subject to a Secondary Financing Rider that states in part the property shall remain a Section 8 very low income property for the duration of the loan, c) the property is sold at which time the loan becomes payable in full.

Since the intent of the owners of the Village are to remain a Section 8 property, and the contract was taken over by HUD as stated in note 9 above, the likelihood of collecting the loan within the next 42 years is less than likely; therefore, no accrual has been made in the financial statements.

Dearborn Housing Commission

30-Sep-07

MI003

Combining Balance Sheet		Low Rent 14.850	Housing Choice Voucher Program 14.855	Capital Projects Funds 14.872	N/C Section 8 Program	TOTAL
Line Item #						
	ASSETS:					
	CURRENT ASSETS:					
	Cash:					
111	Cash - unrestricted	994,735	68,528	-	-	1,063,263
112	Cash - restricted - modernization and development	-				-
113	Cash - other restricted					-
114	Cash - tenant security deposits	60,148				60,148
100	Total cash	1,054,883	68,528	-	-	1,123,411
	Accounts and notes receivables:					
121	Accounts receivable - PHA projects					-
122	Accounts receivable - HUD other projects	-		72,307		72,307
124	Accounts receivable - other government	-				-
125	Accounts receivable - miscellaneous	1,262				1,262
126	Accounts receivable- tenants - dwelling rents	1,011				1,011
126.1	Allowance for doubtful accounts - dwelling rents	(1)				(1)
126.2	Allowance for doubtful accounts - other	-				-
127	Notes and mortgages receivable- current					-
128	Fraud recovery		12,245			12,245
128.1	Allowance for doubtful accounts - fraud		(367)			(367)
129	Accrued interest receivable	471				471
120	Total receivables, net of allowances for doubtful accounts	2,743	11,878	72,307	-	86,928
	Current investments					-
131	Investments - unrestricted	-				-
132	Investments - restricted					-
142	Prepaid expenses and other assets	10,516	-			10,516
143	Inventories	6,268				6,268
143.1	Allowance for obsolete inventories	(361)				(361)
144	Interprogram - due from	-	-	-		-
146	Amounts to be provided					-
150	TOTAL CURRENT ASSETS	1,074,049	80,406	72,307	-	1,226,762
	NONCURRENT ASSETS:					
	Fixed assets:					
161	Land	218,000				218,000
162	Buildings	6,554,020				6,554,020
163	Furniture, equipment & machinery - dwellings	255,045				255,045
164	Furniture, equipment & machinery - administration	49,668	-	-		49,668
165	Leasehold improvements	6,075,238		-	-	6,075,238
167	Construction in Progress			1,486,463		1,486,463
166	Accumulated depreciation	(9,797,255)	-	-		(9,797,255)
160	Total fixed assets, net of accumulated depreciation	3,354,716	-	1,486,463	-	4,841,179
171	Notes and mortgages receivable - non-current					-
172	Notes and mortgages receivable-non-current-past due					-
174	Other assets					-
175	Undistributed debits					-
176	Investment in joint ventures					-
180	TOTAL NONCURRENT ASSETS	3,354,716	-	1,486,463	-	4,841,179
190	TOTAL ASSETS	4,428,765	80,406	1,558,770	-	6,067,941

	LIABILITIES AND EQUITY					
	LIABILITIES:					
	CURRENT LIABILITIES					
311	Bank overdraft					-
312	Accounts payable ≤ 90 days	100,339	9,515	72,307	-	182,161
313	Accounts payable > 90 days past due					-
321	Accrued wage/payroll taxes payable	23,158				23,158
322	Accrued compensated absences	21,305				21,305
324	Accrued contingency liability					-
325	Accrued interest payable					-
331	Accounts payable - HUD PHA programs		-		-	-
332	Accounts Payable - PHA Projects					-
333	Accounts payable - other government	-	-	-		-
341	Tenant security deposits	60,148				60,148
342	Deferred revenues	4,839				4,839
343	Current portion of Long-Term debt - capital projects					-
344	Current portion of Long-Term debt - operating borrowings					-
345	Other current liabilities	-				-
346	Accrued liabilities - other	-	-			-
347	Inter-program - due to	-	-	-	-	-
310	TOTAL CURRENT LIABILITIES	209,789	9,515	72,307	-	291,611
	NONCURRENT LIABILITIES					
351	Long-term debt, net of current- capital projects					-
352	Long-term debt, net of current- operating borrowings					-
353	Noncurrent liabilities- other	-				-
350	TOTAL NONCURRENT LIABILITIES	-	-	-	-	-
300	TOTAL LIABILITIES	209,789	9,515	72,307	-	291,611
	EQUITY:					
501	Investment in general fixed assets					-
	Contributed Capital:					
502	Project notes (HUD)					-
503	Long-term debt - HUD guaranteed	-				-
504	Net HUD PHA contributions	-			-	-
505	Other HUD contributions					-
508.01	Net Assets invested in Capital Assets	3,354,716		1,486,463		4,841,179
508	Total contributed capital	3,354,716	-	1,486,463	-	4,841,179
	Reserved fund balance:					
509	Reserved for operating activities					-
510	Reserved for capital activities					-
511	Total reserved fund balance	-	-	-	-	-
512	Undesignated fund balance/retained earnings	864,260	70,891	-	-	935,151
513	TOTAL EQUITY	4,218,976	70,891	1,486,463	-	5,776,330
600	TOTAL LIABILITIES AND EQUITY	4,428,765	80,406	1,558,770	-	6,067,941

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Dearborn Housing Commission

30-Sep-07

MI003

Combining Income Statement		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.855	Capital Projects Funds 14.872	N/C Section 8 Program	TOTAL
Line Item #				-		
	REVENUE:	-	-			
703	Net tenant rental revenue	810,767				810,767
704	Tenant revenue - other	148,014				148,014
705	Total tenant revenue	958,781	-	-	-	958,781
706	HUD PHA grants	690,866	675,584	497,825	1,181,969	3,046,244
708	Other government grants					-
711	Investment income - unrestricted	49,254	2,070	-	5,126	56,450
712	Mortgage interest income					-
714	Fraud recovery		19,031			19,031
715	Other revenue	275,094	-	-		275,094
716	Gain or loss on the sale of fixed assets					-
720	Investment income - restricted					-
700	TOTAL REVENUE	1,973,995	696,685	497,825	1,187,095	4,355,600
	EXPENSES:					
	Administrative					
911	Administrative salaries	148,431	52,371		40,802	241,604
912	Auditing fees	4,875	750		3,815	9,440
913	Outside management fees	-	-		-	-
914	Compensated absences	-				-
915	Employee benefit contributions- administrative	77,283	6,084			83,367
916	Other operating- administrative	27,065	-	23,300	-	50,365
	Tenant services					
921	Tenant services - salaries	14,309				14,309
922	Relocation costs	-				-
923	Employee benefit contributions- tenant services	1,939				1,939
924	Tenant services - other	39,420				39,420
		-				-
	Utilities					
931	Water	35,055				35,055
932	Electricity	160,127				160,127
933	Gas	204,028				204,028
934	Fuel					-
935	Labor					-
937	Employee benefit contributions- utilities					-
938	Other utilities expense	57,467				57,467
	Ordinary maintenance & operation					
		-				
941	Ordinary maintenance and operations - labor	199,651				199,651
942	Ordinary maintenance and operations - materials & other	42,451		-		42,451
943	Ordinary maintenance and operations - contract costs	113,995		33,881		147,876
945	Employee benefit contributions- ordinary maintenance	159,310				159,310
	Protective services					
951	Protective services - labor					-

DEARBORN HOUSING COMMISSION
Schedule of Annual Federal Awards
For the Year Ended September 30, 2007

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
<u>CFDA 14.850 Public and Indian Housing</u>	
* C-3042 Operating Subsidies	\$ <u>690,866</u>
* <u>CFDA 14.871 Housing Assistance Programs</u>	
C-3042E Village Park, Sec 8 Administrative	\$ 1,181,969
Section 8 Housing Choice Vouchers	<u>675,584</u>
	\$ <u>1,857,553</u>
* <u>CFDA 14.872 Capital Projects Funds</u>	
C-3042 Capital Funds Grant	\$ <u>497,825</u>
	\$ <u>3,046,244</u>

*Connotes Major Program Category

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

DEARBORN HOUSING COMMISSION
Status of Prior Audit Findings
September 30, 2007

The prior audit of the Dearborn Housing Commission for the period ended September 30, 2006, contained one audit finding; the corrective action taken by the Commission is as follows:

- 1) Leases were month to month; the Commission changed the lease to be consistent with HUD requirements.

DEARBORN HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
September 30, 2007

I have audited the financial statements of the Dearborn Housing Commission of Dearborn, Michigan, as of and for the year ended September 30, 2007, and have issued my report thereon dated May 21, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Dearborn Housing Commission's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I did not identify any deficiencies in internal control over financial reporting that I consider to be a *control or significant deficiency*, as defined above.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a *material weaknesses*, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, Board of Commissioners, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant
Hemlock, Michigan
May 21, 2008

DEARBORN HOUSING COMMISSION
Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133
September 30, 2007

Compliance

I have audited the compliance of the Dearborn Housing Commission of Dearborn, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. My responsibility is to express an opinion on the Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Commission's compliance with those requirements.

In my opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Commission's internal control over compliance.

My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I did not identify any deficiencies in internal control over financial reporting that I consider to be a *control or significant deficiency*, as defined above.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. I did not identify any deficiencies in internal control over financial reporting that I consider to be a *material weaknesses*, as defined above.

This report is intended solely for the information and use of, management, Board of Commissioners, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant
Hemlock, Michigan
May 21, 2008

DEARBORN HOUSING COMMISSION
Schedule of Findings and Questioned Cost
September 30, 2007

Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing	X	
New Construction Section 8 Program	X	
Housing Choice Vouchers	X	
Capital Fund Project	X	

Opinions:

Financial Statements-

Unqualified

Material weakness(es) noted	<u> </u> Yes	<u> X </u> No
Control Deficiency (ies) noted	<u> </u> Yes	<u> X </u> No
Non Compliance material to financial statements noted	<u> </u> Yes	<u> X </u> No

Report on compliance for Federal programs-

Unqualified

Material weakness(es) noted	<u> </u> Yes	<u> X </u> No
Control Deficiency (ies) noted	<u> </u> Yes	<u> X </u> No
Non Compliance material to financial statements noted	<u> </u> Yes	<u> X </u> No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did qualify as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Public Housing	Yes	None	N/A
Housing Choice Vouchers	Yes	None	N/A
New Construction Section 8 Program	Yes	None	N/A
Capital Projects Fund	Yes	None	N/A